

## **Exhibit K**

Message

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**From:** Rena Rosenberg [rena\_rosenberg@mckinsey.com]  
**Sent:** 7/17/2013 6:20:02 PM  
**To:** Rob Rosiello [rob\_rosiello@mckinsey.com]; arnab ghatak [arnab\_ghatak@mckinsey.com]; martin elling [martin\_elling@mckinsey.com]; john goldie [john\_goldie@mckinsey.com]  
**Subject:** Fw: June 2013 Financial Statements

FYI

also mentions as a factor driving lower Oxy sales- lower than expected trade inventory holdings in pharmacies and wholesalers  
though they expect an uptick..

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Rena Rosenberg | McKinsey & Company | rena.rosenberg@mckinsey.com  
mobile: 973 960 2877 | office: 973 549 6461 | assistant (De Kerssey): 973 549 6541  
---- Forwarded by Rena Rosenberg/NJE/NorthAmerica/MCKINSEY on 07/17/2013 02:13 PM ----

From: "Mahony, Edward" <Edward.Mahony@pharma.com>  
To: "Rena Rosenbert (rena\_rosenberg@mckinsey.com)" <rena\_rosenberg@mckinsey.com>,  
Date: 07/16/2013 03:26 PM  
Subject: FW: June 2013 Financial Statements

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FYI --- the quarterly financials to the Board. This has the sales call details included.

Please forward to Arnie and Rob.

Ed

**From:** Mahony, Edward  
**Sent:** Tuesday, July 16, 2013 3:13 PM  
**To:** Boer, Peter; Lewent, Judy; Pickett, Cecil; Costa, Paulo; Snyderman, Ralph; Sackler, Dr Raymond R; Sackler, Dr Richard; Sackler, Jonathan; Sackler, Dame Theresa; Sackler, Dr Kathe; Sackler, Mortimer D.A.; Sackler Lefcourt, Ilene; Sackler, David; Baker, Stuart D.; Sackler, Beverly; Stewart, John H. (US); Dolan, James; Gasdia, Russell; Landau, Dr. Craig; Long, David; Lundie, David; Mallin, William; Stiles, Gary; Strassburger, Philip; Weinstein, Bert; Smith, Raymond M.; Jamieson, Steve; Male, David  
**Cc:** Lowne, Jon; Makara, Richard; Shum, Sam; Davis, Neal; Bostrup, Eric  
**Subject:** June 2013 Financial Statements

Colleagues,

Attached for your information are the Purdue June 2013 financial statements.

We are happy to supply a hard copy upon request.

Ed(See attached file: June 2013 Financial Statement Cover Memo Final.docx)(See attached file: Copy of Financial Statements 06 30 2013 v2 (3).xlsm)

**PURDUE**

To: John Stewart  
From: Ed Mahony  
CC: Eric Bostrup, Neal Davis, Sam Shum, Michael Danahy,  
Jon Lowne, Rick Makara, Executive Committee  
Date: July 11, 2013  
Subject: Year-to-date June 2013 financial results

Attached are the June year-to-date 2013 Purdue financial statements. Actual results are compared to the 2013 mid-year forecast, 2013 budget and 2012 actual results.

### **NET SALES**

Net Sales for the six months ending June were \$982.9 million --- \$81.9 million lower than 2012, \$210.5 million lower than budget and \$47.9 million or 4.7% under the mid-year forecast. The reason for the under mid-year forecast sales performance is reductions in trade inventory in advance of the July 4<sup>th</sup> holiday buy. The underlying demand is tracking at or very close to the mid-year forecast.

### **OxyContin**

OxyContin net sales for the six months ending June were \$878.1 million --- \$41.0 million below the mid-year forecast and \$97.2 million lower than 2012. The variance vs. mid-year forecast is due to:

- a. OxyContin demand – as reported by IMS -- is running in line with the mid-year forecast.
- b. OxyContin trade inventory is running \$39.9 million below the mid-year forecast. At the end of June, trade inventory was low – 1.6 months for wholesalers and pharmacy combined. Trade inventories should be back closer to 1.8 months when orders in house at the end of June were shipped in early July (net sales value \$32 million).

Other influences of future demand:

- a. In April 2013 Walgreens implemented a nationwide requirement that its pharmacists rigorously review and evaluate the appropriateness of Class 2 prescriptions and where they deem it appropriate - not filling prescriptions. Similar efforts are in various stages at other pharmacies. The result of this effort may increasingly depress future prescriptions. The Purdue management team will report on this and other environmental factors at the July 25, 2013 Board meeting.
- b. The 2013 budget assumed that the analgesic sales force would have OxyContin as the primary focus in 50% of all calls up from 30% at the end of 2012. That would have resulted in 181 thousand primary OxyContin sales calls in the first 6 months of 2013. Due to vacancies and a slower than expected implementation of this change, OxyContin was the primary focus in about 117 thousand sales calls through the end of June, 64% of target. Q3 target lists have been issued to the field force and OxyContin primary sales calls are increasing to 44% of all calls --- approaching the 50% target when secondary calls are added at 1/2 the value of a primary.
- c. McKinsey has been engaged to work with Sales & Marketing to identify opportunities to improve performance of OxyContin. A preliminary report of this work will be made in time for the July 25th Board meeting.

**Butrans**

Butrans net sales for the six months ending June were \$52.2 million --- \$7.1 million below the mid-year forecast and \$11.2 million above 2012. The net sales miss is driven by contraction in trade inventory and prescriptions running slightly below the mid-year forecast. The mid-year forecast assumes full year Butrans net sales of \$127 million, the same as budget. The analgesic sales force made 213 thousand primary Butrans sales calls through the end of June vs. budget of 182 thousand calls, or 117% of target.

**Intermezzo**

The mid-year forecast assumes full year Intermezzo net sales of \$10.3 million versus budget of \$44 million. Prescriptions as reported by IMS are in line with the mid-year forecast.

**Operating expenses**

Total operating expenses were \$435.4 million:

(million)	Year-to-date June				Variance 2013 actual vs.				2013 Forecast
	Actual	Forecast	Budget	Prior year	Forecast	2013 Budget	2012 Actual		
G&A	\$ 75.4	\$ 80.1	\$ 80.8	\$ 75.7	\$ (4.7)	\$ (5.4)	\$ (0.3)	\$ 158.4	
Legal Fees	36.5	28.9	29.1	27.3	7.6	7.4	9.2		54.5
R&D	151.9	152.7	199.1	159.0	(0.8)	(47.2)	(7.1)		327.2
R&D Other - Milestones and Alliances	9.4	9.1	3.3	0.9	0.3	6.1	8.5		11.0
S&P	147.6	149.2	158.2	146.3	(1.6)	(10.6)	1.3		288.3
New Health Care Reform Pharma Fee	15.9	15.9	15.9	15.0	-	-	0.9		31.8
Other - US	(1.3)	0.3	2.3	(0.8)	(1.6)	(3.6)	(0.5)		0.4
<b>Total</b>	<b>\$ 435.4</b>	<b>\$ 436.2</b>	<b>\$ 488.7</b>	<b>\$ 423.4</b>	<b>\$ (0.8)</b>	<b>\$ (53.3)</b>	<b>\$ 12.0</b>	<b>\$ 871.6</b>	

1. G&A spend through June 30, 2013 was \$75.4 million, which is:
  - a. Lower than the 2013 mid-year forecast by \$4.7 million primarily due to: \$1.5 million favorable spend in External Affairs due to timing and favorable spend across other departments.
  - b. Lower than 2012 by \$0.3 million.
2. Legal fees spend through June 30, 2013 was \$36.5 million, which is:
  - a. Higher than the mid-year forecast and budget by approximately \$7.5 million due to a \$7.5 million accrual for Grunenthal's patent litigation cost for costs incurred from July 2012 through June 2013, recorded in full in 2013. These costs were not anticipated in the budget, are excessive and are being challenged<sup>1</sup>.
  - b. Higher than 2012 by \$9.2 million primarily due to (1) the \$7.5 million Grunenthal patent litigation accrual mentioned above, (2) higher patent litigation cost associated with the ORF trial as well as Intermezzo document collection and review (\$0.4 million) and (3) higher patent prosecution costs in the first half of 2013 due to increased patent filing activity (\$1.2 million).

<sup>1</sup> Since mid-2011 to the end of 2013 we estimate that Grunenthal will have spent \$13-\$14 million in legal fees on OxyContin related matters which they unfairly expect Purdue to reimburse.

3. R&D spend through June 30, 2013 was in line with the mid-year forecast and \$47.2 million lower than budget:

	Year-to-date June			2013
	Actual	Budget	Variance	Budget
Oxycodone Naloxone	\$ 42.1	\$ 61.6	\$ 19.5	\$ 117.7
Hydrocodone QD TR	30.9	34.1	3.2	64.1
Butrans	8.1	32.5	24.4	53.1
OxyContin (primary pediatric)	10.7	17.4	6.7	34.0
Oxycodone IR TR	6.1	7.8	1.7	13.9
TRPV1 (Purdue)	6.4	11.6	5.2	25.4
ORL1	1.4	1.3	(0.2)	2.6
Discovery Projects	10.3	12.8	2.5	25.6
Market Support Projects/All other	35.8	32.8	(3.0)	66.5
Finance Underspend Estimate	-	(12.7)	(12.7)	(25.4)
<b>Research and Development</b>	<b>\$ 151.9</b>	<b>\$ 199.1</b>	<b>\$ 47.2</b>	<b>\$ 377.6</b>

#### Oxycodone Naloxone (ONU)

2013 June year-to-date spend is \$19.5 million below budget due primarily to slower than expected enrollment in the two pain plus OIC efficacy studies. The slower enrollment has led to several significant protocol changes in an effort to bring the trial to an earlier completion including reducing sample size, increasing sites and more. As a result, spending for the full year is now expected to be approximately \$35 million less than budget. This decrease was taken into account in the mid-year forecast.

#### Hydrocodone QD TR (HYD)

2013 June year-to-date spend is \$3.2 million below budget due primarily to the timing of non-clinical spend. This favorability is expected to reverse over the balance of the year. The HYD team recently extended the open label safety study for six months in order to generate data regarding the safety of longer term opioid exposure. This extension, along with carryover from 2012, results in spending for the full year to be approximately \$4.2 million higher than budget. This increase was taken into account in the mid-year forecast.

#### Butrans

2013 June year-to-date spend is \$24.4 million below budget primarily due to a change in registration strategy for the higher strengths program from full clinical programs to analysis of existing worldwide data. As a result, spending for the full year is expected to be approximately \$24 million less than budget. This decrease was taken into account in the mid-year forecast.

#### OxyContin (primarily pediatric)

2013 June year-to-date spend is \$6.7 million below budget driven by favorability in pediatric studies and risk management. OTR 3001 Safety Study has a current enrollment of 98 patients with a target of 154 patients.

#### TRPV1 Lead (Purdue)

2013 June year-to-date spend is \$5.2 million below budget driven by favorability in clinical and nonclinical spend which is expected to reverse in coming months.

4. S&P spend through June 30, 2013 was \$147.6 million, which is:

- \$1.6 million lower than the mid-year forecast due to timing of Intermezzo promotional spend.
- \$10.6 million lower than budget due to:
  - Lower expenses related to the contract sales force (\$1.3 million) driven by vacancies (10%). A 60 day accrual for severance of \$2.3 million was recorded on the termination date of May 14, 2013.
  - Lower OxyContin (\$2.8 million) and Butrans (\$3.0 million) promotional spend.
  - Lower people driven expenses (\$2.8 million) due to lower sales bonus (\$1.1 million) and vacancies (3.5%) in the Analgesic Sales Force (\$1.7 million).
  - Lower all other (\$0.6 million).
- \$1.3 million higher than prior year primarily due to:
  - Higher Intermezzo promotional spend (\$6.0 million).
  - Lower spending in contract sales organization (\$12.0 million) due to a reduction from 275 representatives in first half of 2012 to 90 through May 2013.
  - Higher people driven expenses primarily due to higher sales bonus (\$2.9 million).
  - Higher all other (\$4.4 million).
- 2013 June year-to-date calls were below goal driven by vacancies (averaging 3.5% versus budget of 2.5%) and lower calls per day (6.9 versus budget of 7.1).

Calls by Product 2013 Budget v. Actual June YTD			
	Budget	Act	Var
<b>Primary Calls</b>			
Butrans	181,986	213,267	31,280
OxyContin	181,986	117,820	(64,166)
<b>Total Primary Calls</b>	<b>363,973</b>	<b>331,087</b>	<b>(32,886)</b>
<b>Secondary Calls</b>			
OxyContin	163,788	182,574	18,786
Butrans	163,788	111,833	(51,955)
<b>Total Secondary Calls</b>	<b>327,575</b>	<b>294,406</b>	<b>(33,169)</b>
<b>Tertiary Calls</b>			
Intermezzo	127,390	226,959	99,568
<b>Total Tertiary Calls</b>	<b>127,390</b>	<b>226,959</b>	<b>99,568</b>
<b>PDEs</b>			
Butrans	263,880	269,183	5,303
OxyContin	263,880	209,107	(54,773)
Intermezzo	12,739	22,696	9,957
<b>Total PDEs</b>	<b>540,499</b>	<b>500,986</b>	<b>(39,513)</b>
<b>Calls</b>			
Butrans	345,774	325,099	(20,675)
OxyContin	345,774	300,394	(45,380)
Intermezzo	127,390	226,959	99,568
<b>Total calls</b>	<b>818,938</b>	<b>852,452</b>	<b>33,514</b>

### **Pre-tax earnings**

Full year pre-tax earnings of \$470.8 million are:

- a. \$25.0 million lower than the mid-year forecast due to lower gross profit (\$38.8 million) on lower sales, higher incentives (\$8.6 million) due to the Better Medicine Awards offset by lower ex-US expense of \$22 million due to the timing of funding.
- b. \$9.4 million lower than budget due to lower gross profit (\$183.3 million) on lower sales, higher incentives (\$5.1 million), offset by lower operating expenses (\$53.4 million) and the gain on Infinity stock (\$124.6 million).
- c. \$2.7 million higher than 2012 primarily due to lower gross profit (\$77.9 million) on lower sales, higher operating expenses (\$12.0 million), lower ex-US royalty income (\$22.2 million) and higher incentives and settlements (\$8.6 million) offset by the gain on Infinity stock (\$124.6 million).

### **Pearl Therapeutics**

The 2013 forecast includes \$80.3 million of cash funding to Pearl Therapeutics of which \$30.3 million was included as Ex-US expense and \$50 million was included as an investment relating to the purchase of Pearl stock. Since the Pearl transaction did not close, there will be variances in these line items versus the 2013 forecast.

### **Non-Tax Distributions**

Year-to-date partner non-tax distributions were \$357.6 million, made up of \$216.7 million of Infinity shares and \$140.9 million in cash, of which \$10 million was re-invested in Rhodes.

### **Working Capital Highlights**

#### **Cash and Short Term Investments**

At the end of June, unrestricted cash and short term investments totaled \$831 million --- which is \$7 million higher than forecast. This temporary higher-than-forecast cash balance is due to timing of payments. Actual cash payments during the month included Board approved payments related to the Pike County settlement (\$4 million) and the Better Medicine Awards (\$9.1 million).

#### **Accounts Receivable**

1. The rolling 3 month average Day's Sales Outstanding ("DSO") was 33.4 days at June 30, 2013 which is 1.6 days lower than our target of 35 days, and 0.2 days higher than May 31. The month to month DSO can fluctuate according to timing of sales and the resultant due dates. Invoice collections remain strong at 99.9 % within 10 days of the due date. There were no bad debt write-offs in the first half of 2013.
2. Open deductions totaled \$431,500 at June 30, 2013 or .002% of the total receivables versus \$555,706 at December 31, 2012.
3. In all respects, we believe accounts receivable collections are excellent. We continue to monitor Rite Aid (balance at June 30 of \$433,653) - results are improving and short term liquidity remains good as they continue to refinance debt.

**Accounts Payable**

1. Payables at June 30, 2013 totaled \$35.2 million versus \$28.1 million at May 31, 2013. Substantial quarterly rebates to be paid in July accounted for the increase.
2. The June 30, 2013 Day's Payable Outstanding ("DPO") was 53.06 for all rebate related payments vs. 52.73 days at December 31, 2012 (a 0.33 day increase). The DPO for all non-rebate related payments was 38.88 days at June 30, 2013 vs. 38.84 days at December 31, 2012 (an increase of 0.04 days). Fluctuations in the DPO can occur due to the mix of payment types. The DPO is measured semi-annually.
3. Early payment discounts of \$443,814 or 98.2% of those available were earned during the first half of 2013.

**Inventory**

1. Purdue is carrying \$87.4 million in inventory net of reserves. This balance has increased over prior year-end and June 2012 by \$36.8 million and \$30.8 million, respectively. The primary drivers are as follows:

**Versus year-end 2012 (increase of \$36.8 million)**

- a. Higher Oxycodone API (\$30.1 million) primarily driven by accelerated receipts from Rhodes Technology at Rhodes request to position them to free up labor and equipment capacity for new product validations in the last half of 2013.
- b. Higher finished goods for Dilaudid (\$2.0 million) and Slow-Mag (\$1.6 million) due to timing of 3rd party receipts.
- c. Higher OxyContin finished goods (\$1.5 million) as compared to year-end factory shutdown levels.

**Versus June 2012 (increase of \$30.8 million)**

- a. Higher Oxycodone API (\$30.7 million) primarily driven by accelerated receipts from Rhodes Technology.
2. Oxycodone comprises \$52.5 million of the \$87.4 million total inventory. Details are provided in the table below:

<b>Oxycodone</b>	<b>Jun-13</b>		<b>Jun-12</b>	<b>Y/E 2012</b>
	<b>kg</b>	<b>million \$'s</b>	<b>million \$'s</b>	<b>million \$'s</b>
<b>Raw</b>	11,659	\$37.7	\$7.0	\$7.6
<b>WIP</b>	791	\$2.6	\$4.6	\$2.1
<b>Bulk</b>	577	\$1.9	\$2.8	\$4.4
<b>FG</b>	3,195	\$10.3	\$9.8	\$9.0
<b>Total Oxycodone</b>	<b>16,222</b>	<b>\$52.5</b>	<b>\$24.2</b>	<b>\$23.1</b>

3. At the end June, the average MOH inventory level for OxyContin finished goods is ~ 2.3 months (based on projected sales). Details are as follows:

OxyContin - Months on Hand Inventory  
(100 count bottles only)

10mg	15mg	20mg	30mg	40mg	60mg	80mg	Total
2.0	2.0	2.9	2.0	1.8	2.4	2.6	2.3

4. The current OxyContin finished product on hand of 2.3 is slightly higher than prior year-end of 2.1, but is slightly lower than the target of 2.5 months.

**Headcount**

At the end of June, Purdue's headcount was 1,689 versus the forecast of 1,751, which included a target reduction of 25. The variance of 62 includes 56 actively recruited positions - 14 with offers outstanding and 42 being actively recruited.

## **Exhibit L**

Message

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**From:** Arnab Ghatak [arnab\_ghatak@mckinsey.com]  
**Sent:** 8/15/2013 11:32:39 PM  
**To:** Purdue [CST@MCKINSEY]  
**Subject:** Fwd: BOD Presentation  
**Attachments:** Identifying OxyContin Growth Opportunities.pptx

See below from John, sounds positive...

Begin forwarded message:

> From: "Stewart, John H. (US)" <John.H.Stewart@pharma.com>  
> Date: August 15, 2013, 7:22:19 PM EDT  
> To: "Rob Rosiello (rob\_rosiello@mckinsey.com)" <rob\_rosiello@mckinsey.com>, "arnab\_ghatak@mckinsey.com" <arnab\_ghatak@mckinsey.com>  
> Cc: "Gasdia, Russell" <Russell.Gasdia@pharma.com>, "Mallin, William" <William.Mallin@pharma.com>  
> Subject: BOD Presentation  
>  
> Rob & Arnie (Laura too)  
>  
> Thanks for the briefing yesterday, and here is the deck I presented - which reflects many of your inputs. In addition to what you see written, we incorporated several of your recommendations into the spoken remarks - and the presentation was received rather positively.  
>  
> I did say that your final report for phase 1 will contain a great deal of more detail, and that you will come in to make a comprehensive presentation and recommendations. Several of the Board Members are interested in attending - so we should start working on scheduling that presentation.  
>  
> Paulo Costa was especially engaged in the discussion, and he (among others) will be a champion for our moving forward with a comprehensive "turbocharge" process - though we do need to find a better and more permanently appropriate name.  
>  
> Regards - John  
>  
>  
>  
> From: Taylor, Pamela  
> Sent: Thursday, August 15, 2013 9:44 AM  
> To: JHS (US)  
> Subject: BOD Presentation  
>  
> John,  
>  
> I have sent an electronic copy to Kathy for Russ and the date you wanted me to remove does not appear on her copy. However, I cannot delete the date from my copy of the presentation (but will continue to work on it) and so used "white out" on the copies I will give to Bill.  
>  
>  
>  
>

> Pamela Taylor  
> Assistant to Mr. John H. Stewart  
> Chief Executive Officer - Purdue Pharma L.P.  
>  
> One Stamford Forum  
> Stamford, Connecticut 06901  
> Tel: (203) 588 7291  
> Email: [pamela.taylor@pharma.com](mailto:pamela.taylor@pharma.com)  
> <http://www.purduepharma.com>  
>

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THIS DOCUMENT HAS BEEN PRODUCED IN NATIVE  
FORMAT WITH THE PRODUCTION NUMBER ASSIGNED  
TO THIS PAGE AS THE FILE NAME.

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# Identifying OxyContin Growth Opportunities

John Stewart & Russ Gasdia

August 15<sup>th</sup>, 2013

## Context/Objectives

- Understand the underlying factors influencing the OxyContin/opioid business, including:
  - Slowing growth in the LAO market
  - Declining prescriptions for OxyContin
  - Relatively more sudden declines in:
    - ✓ Tablets per prescription
    - ✓ Prescriptions for 40mg & 80mg strengths
  - Wholesaler/pharmacy opioid policies

## Objectives

- Identify actionable items to positively impact sales - both in the short and longer term, specifically in the areas of:
  - Market landscape
  - Access and availability of opioid medications
  - OxyContin messaging and positioning
  - Scientific/medical support of HCPs/salesforce
  - Prescriber segmentation and targeting
  - Salesforce execution of call plans
  - S&P spend levels and allocation between brands

## Findings/Observations To-Date

- 40% of zip codes show OxyContin growth
- 47% of OxyContin prescribers increased their prescribing levels
- In Q1 2013, the salesforce reached 21% of OxyContin prescribers, accounting for 54% of OxyContin prescriptions
- OxyContin responds to changes in sales call activity
  - The salesforce made a substantial number of calls on low value prescribers
  - Given relative sales levels, Butrans is receiving a disproportionate share of salesforce effort

## Findings/Observations to Date

- Wholesaler and pharmacy chain policies are impacting opioid utilization/prescribing
- Physician awareness and understanding of the new OxyContin formulation and recent label change is inconsistent between specialists and PCPs
- McKinsey's knowledge of the ways other pharma companies operate suggests Purdue should reassess the roles of MSL and HECON Groups - and further drive the salesforce to be more responsive to formulary coverage changes

## Actions Underway

- Increase salesforce effort in support of OxyContin
- Revise approach to generation of prescriber target lists
  - Include additional factors
  - Identify specific opportunities
- Increase salesforce adherence to target lists
  - Demonstrate value of this approach to all levels of the salesforce
  - Establish adherence support mechanisms - including compensation
- Modernize/Turbocharge Purdue's overall approach to Salesforce activities

## Actions Underway

- Address pharmacy and wholesaler access issues
  - Task force established within CEAC – Alan Must
    - ✓ Walgreens-specific activities
    - ✓ Consideration of alternative supply mechanisms/routes
    - ✓ Participation in multidisciplinary meetings/solutions

## **Actions Pending Additional Analyses/Information**

- Establish specific sales increase goals from revised prescriber targeting
- Refine reach vs. frequency understanding from analyses of natural pilots and/or proactive testing – reassess optimal salesforce sizing
- Benchmark OxyContin's S&P levels to appropriate reference brands – across several components of the marketing mix.
- Revise communications pertaining to abuse deterrent opioid formulations.

## **Exhibit M**

Message

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**From:** Arnab Ghatak [arnab\_ghatak@mckinsey.com]  
**Sent:** 8/15/2013 3:34:40 AM  
**To:** rob rosiello [rob\_rosiello@mckinsey.com]  
**Subject:** Fw: Implementation details

FYI...think it is just stress, will try to see him live tmw

Arnab Ghatak  
Partner  
McKinsey & Company  
Office 973 549 6368  
Mobile 973 919 9029  
Fax 973 549 1368

----- Forwarded by Arnab Ghatak/NJE/NorthAmerica/MCKINSEY on 08/14/2013 11:32 PM -----

From: Arnab Ghatak/NJE/NorthAmerica/MCKINSEY  
To: "Gasdia, Russell" <Russell.Gasdia@pharma.com>,  
Cc: "Rosen, David (Sales and Marketing)" <David.Rosen@pharma.com>, "Ronning, Michael" <Michael.Ronning@pharma.com>  
Date: 08/14/2013 11:31 PM  
Subject: Re: Implementation details

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Russ,

Appreciate the candid dialogue.

Definitely agree with you that there are multiple meaningful opportunities for Purdue to aggressively go after separate from sales (e.g., Walgreens, HECON, Medical). Indeed as you say, both the mgs and tabs have gone down and we believe there are meaningful supply side issues that needs to be addressed. We were honestly shocked by the Walgreens findings.

We are genuinely assessing everything in terms of forward looking near term opportunities, and that is the frame in which we see changes in the sales approach as a major lever. For example, our main takeaway from that the finding that a big part of the drop is coming from people who aren't called on is that this is quite encouraging as an opportunity - it validates the impact that the field is delivering on doctors they are calling upon and identifies a set of prescribers that would likely benefit from being called upon.

Our sincere hope is that the discussion focuses constructively on looking fwd. Our suggestion to John was to show conviction in the opportunities and give the board confidence that they will be aggressively pursued.

Always happy to talk further.

Arnie  
Arnab Ghatak  
Partner  
McKinsey & Company  
Office 973 549 6368  
Mobile 973 919 9029  
Fax 973 549 1368

▼ "Gasdia, Russell" ---08/14/2013 08:48:16 PM---Arnie Some venting...

From: "Gasdia, Russell" <Russell.Gasdia@pharma.com>  
To: "arnab\_ghatak@mckinsey.com" <arnab\_ghatak@mckinsey.com>,  
Cc: "Rosen, David (Sales and Marketing)" <David.Rosen@pharma.com>, "Ronning, Michael" <Michael.Ronning@pharma.com>  
Date: 08/14/2013 08:48 PM  
Subject: Re: Implementation details

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Arnie

Some venting...

I have some real concerns with the thought that our issues center on a need to turbocharge sales. The data suggests a majority if lost Rxs are in docs we don't see.

A majority of this year's sales loss is in less tabs and continued drop in higher strengths and retail inventory reduction. The entire managed care environment is pushing down, more docs are becoming no see and the tides against using opioids long term, in higher doses are all under fire and this is all coming down to the sales force not targeting correctly? No doubt we can improve in that area, and we could see improvement, but that is not "the reason" for our results.

This is far more complex than that. This doesn't even take into account trying to launch Butrans and simply protect OxyContin with a defensive strategy, while under resourced and with ever decreasing budgets.

I still feel as if I'm walking into the wolf pit tomorrow, put into a defensive position and it will turn into the question John posed, "why didn't this occur before " thus fueling the "blame game" when nobody seems to be understanding the bigger picture of OxyContin being a 17 year old med, with a ton of ongoing negative pressure and market dynamics taking hold.

I've continued to be concerned with setting false expectations for the board and my colleagues at the executive level, but we'll have to see what the final results show.

Russ

On Aug 14, 2013, at 6:19 PM, "arnab\_ghatak@mckinsey.com" <arnab\_ghatak@mckinsey.com> wrote:

```
> Hi Russ,
>
> Here is a short note that we shared with John earlier today. Its in response to his
questions about what actions would Purdue take to execute "Turbocharging the Sales
Engine".
>
> We also did repeat our offer to be available for questions but he didn't think that was
needed
>
> He did share the slides you and he created. We gave some feedback primarily focused on
1)describing how the list of actions fit together into one larger transformation
initiative (so it doesn't feel like a laundry list) and 2)emphasizing that this should
actually be quite energizing for the field as a way for them to hit bonus
>
> He did ask how best to respond to "why wasn't this done earlier". We'd respond with
1)mckinsey brought additional capacity, horsepower and industry experience to look at
existing and new data in a way that wasn't done before 2)the change recommended could
never have come from natural evolution. many years ago Purdue made the choice of an
'autonomous' empowered field force. since then, the landscape has changed and become
much more complex. so today requires a different approach.
>
> Happy to talk anytime on my cell if you'd like
>
> Arnie
> c973 919 9029
>
> (See attached file: 20130814 Detail on Turbocharging Purdue's Sales Engine Clean .docx)
```

>  
>  
> +=====+  
> This email is confidential and may be privileged. If you have received it  
> in error, please notify us immediately and then delete it. Please do not  
> copy it, disclose its contents or use it for any purpose.  
> +=====+  
>  
>  
> <20130814 Detail on Turbocharging Purdue's Sales Engine Clean .docx>

**Exhibit N**

Message

---

**From:** Rob Rosiello [rob\_rosiello@mckinsey.com]  
**Sent:** 8/23/2013 1:48:06 PM  
**To:** Arnab Ghatak [arnab\_ghatak@mckinsey.com]; Martin Elling [martin\_elling@mckinsey.com]  
**Subject:** Fw: Fwd: Document for 9am meeting

---

**From:** William Mallin [wmallin@optonline.net]  
**Sent:** 08/23/2013 09:40 AM AST  
**To:** Rob Rosiello  
**Subject:** Fwd: Document for 9am meeting

Some thoughts from David that I am forwarding personally. Background as needed. No need to reply

Bill

Begin forwarded message:

**From:** "Mallin, William" <[William.Mallin@pharma.com](mailto:William.Mallin@pharma.com)>  
**Date:** August 23, 2013, 9:38:35 AM EDT  
**To:** William Mallin <[wmallin@optonline.net](mailto:wmallin@optonline.net)>  
**Subject: Fwd: Document for 9am meeting**

Begin forwarded message:

From: "Lundie, David" <[<mailto:David.Lundie@pharma.com>](mailto:David.Lundie@pharma.com)>>  
Date: August 23, 2013, 8:51:09 AM EDT  
To: "Weingarten, Brianne" <[<mailto:Brianne.Weingarten@pharma.com>](mailto:Brianne.Weingarten@pharma.com)>>, "Mahony, Edward" <[<mailto:Edward.Mahony@pharma.com>](mailto:Edward.Mahony@pharma.com)>>, "Mallin, William" <[<mailto:William.Mallin@pharma.com>](mailto:William.Mallin@pharma.com)>>, "Stiles, Gary" <[<mailto:Gary.Stiles@pharma.com>](mailto:Gary.Stiles@pharma.com)>>, "Strassburger, Philip" <[<mailto:Philip.Strassburger@pharma.com>](mailto:Philip.Strassburger@pharma.com)>>  
Cc: "Lundie, David" <[<mailto:David.Lundie@pharma.com>](mailto:David.Lundie@pharma.com)>>  
Subject: RE: Document for 9am meeting

All

My reflections after going through these slides after the call:

Ready, Run Redfine

All that we have with certainty in the current proposal is 'another 6 months for McKinsey' and we need to ensure we have concrete behavioral/ management changes

McK were quite skillful in staying above any deliverables yesterday. We should not allow them take the initiative above the steering group to the shareholders but Ed/ Gary/ Phil? should follow up explaining where management see the issues

Are we signing up to this document?

Especially when you get to slide 28 and see the existing team and I see line 12 ... Jack Pettit is going to “drive change management” makes my reflect.....

Major risk is Ready, Run, Redefine becomes ..... Ready, Run, Redefine, Rgress ..... Or we ‘kick the can down the road’ .....Ready, Run Redefine and by then we have Run out the clock to the new CEO or for another year

McK openly talk about coming in to Purdue x years ago and pointing out the same issues so maybe we suggest we get Bain as they might follow through better :)

They have failed the company but if they can “play Dr R “ not sure we can make them feel accountable

The real issue is leadership and the credibility of the US management team in that area: Both within our organization and as seen by the shareholders

How about we go in at higher level in Quintiles or maybe McKinsey and get the Czar of S&M Change’ reporting to a senior management group outside of the Sales organization?

This person could ultimately be doing the role of VP of Marketing or..... we can simply just doodle along with no Marketing or new strategy for another year

So take the Open VP of Marketing role and use it to drive the change outside of the existing Management team reporting to Ed and/or the New BOD committee ...??

We need to use McKinsey/ Contract dollars to drive change a.s.a.p. not do basic analysis that our organization are able to do, for much less dollars

Turbocharge the Sales team

This will catch the attention of the shareholders. I like the wording as it captures ‘doing more and gaining real power with the same resources” but maybe that is just my performance –car mentality!

If we don’t deliver against the data as presented, it will just further undermine the sales management team

Not sure we can create any disruption without some strong external force with a dual +ve and –ve approach: as example A new empowering bonus program in parallel with real change and accountability towards the existing reps

Reps

Adding reps without the change in Senior Management thinking may just mask the real challenges to our sales organization

Ready, Run Redefine becomes just ‘Run, Run, Forest, Run’

This approach of 200 reps before dealing with the underlying structures, makes the real changes harder.

Especially when we and the shareholders look to HYD and ONU going to this management team within the year

CFO / Exec Team role is support change

This is a business issue and not a Sales issue at this stage

I understand that JHS may not want to be sidelined or have Russ sidelined

All Bill has to do in his role ..... is manage JHS on this one and we are good to go!

David

David Lundie  
Vice President  
Technical Operations  
(203) 588 7175

From: Weingarten, Brianne  
Sent: Thursday, August 22, 2013 9:08 AM

To: Mahony, Edward; Mallin, William; Stiles, Gary; Lundie, David; Strassburger, Philip  
Subject: FW: Document for 9am meeting

McKinsey slides reviewed at August 22, 2013 9 am meeting

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Brianne Weingarten  
Executive Director, Alliance Management/ R&D Project Leader  
Purdue Pharma One Stamford Forum Stamford, CT 06901  
Office: 203 588 7565  
Mobile: 914 844 1136  
[brianne.weingarten@pharma.com](mailto:brianne.weingarten@pharma.com)<<mailto:brianne.weingarten@pharma.com>>

From: [john\\_goldie@mckinsey.com](mailto:john_goldie@mckinsey.com)<[mailto:john\\_goldie@mckinsey.com](mailto:john_goldie@mckinsey.com)> [[mailto:john\\_goldie@mckinsey.com](mailto:john_goldie@mckinsey.com)]  
Sent: Thursday, August 22, 2013 9:03 AM  
To: Weingarten, Brianne; [laura\\_moran@mckinsey.com](mailto:laura_moran@mckinsey.com)<[mailto:laura\\_moran@mckinsey.com](mailto:laura_moran@mckinsey.com)>;  
[arnab\\_ghatak@mckinsey.com](mailto:arnab_ghatak@mckinsey.com)<[mailto:arnab\\_ghatak@mckinsey.com](mailto:arnab_ghatak@mckinsey.com)>  
Subject: Document for 9am meeting

John Goldie  
McKinsey & Co  
55 e52nd St  
New York, NY, 10022  
o: (212) 446-7349  
m: (917) 499-6315  
(See attached file: 2013 08 22 Purdue update.pptx)

+=====+  
This email is confidential and may be privileged. If you have received it  
in error, please notify us immediately and then delete it. Please do not  
copy it, disclose its contents or use it for any purpose.  
+=====+

## **Exhibit O**

Message

---

**From:** Jeanette Park [CN=Jeanette Park/OU=BOS/OU=NorthAmerica/O=MCKINSEY]  
**Sent:** 8/26/2013 1:53:00 PM  
**To:** Martin Elling [CN=Martin Elling/OU=NJE/OU=NorthAmerica/O=MCKINSEY@MCKINSEY]  
**CC:** Rob\_Rosiello@mckinsey.com; Arnab Ghatak [CN=Arnab  
Ghatak/OU=NJE/OU=NorthAmerica/O=MCKINSEY@MCKINSEY]; Purdue [CST@MCKINSEY]  
**Subject:** Re: Board mtg

Wonderful to hear that we got great board engagement on our work!

Jeanette Park  
McKinsey & Company  
jeanette\_park@mckinsey.com  
617.512.8848

**From:** Martin Elling/NJE/NorthAmerica/MCKINSEY  
**To:** Rob\_Rosiello@mckinsey.com,  
**Cc:** Arnab Ghatak/NJE/NorthAmerica/MCKINSEY@MCKINSEY, Purdue CST@MCKINSEY  
**Date:** 08/24/2013 09:41 AM  
**Subject:** Re: Board mtg

By the end of the meeting the findings were crystal clear to everyone and they gave a ringing endorsement of 'moving forward fast'. Arnie (and Laura by phone) were compelling.

M

**From:** Rob Rosiello/STA/NorthAmerica/MCKINSEY  
**To:** Arnab Ghatak/NJE/NorthAmerica/MCKINSEY@MCKINSEY, Purdue CST@McKinsey,  
**Date:** 08/24/2013 06:07 AM  
**Subject:** Board mtg

Good summary...

Board had not engaged on our work...Dr. Richard had not read memo...right level of dialogue...

Arnie's depth of knowledge on the content and Purdue's organization was clear...and appreciated...

rob

**From:** Arnab Ghatak  
**To:** Purdue CST@McKinsey  
**Cc:**  
**Date:** 08/23/2013 09:26 PM EDT  
**Subject:** Board mtg

Hi all,

The board mtg today went very well - the room was filled with only family, including the elder statesman Dr. Raymond.

We took them through both memos - some had read it, some had not. We went through exhibit by exhibit for about 2 hrs. They all clearly learned a lot and many asked good questions.

They were extremely supportive of the findings and our recommendations.

In fact in closing, they summarized that they felt really good about all the opportunity we had found and wanted to strongly endorse getting going on our recommendations.

So a very good dialogue and an important milestone of impact.

Really a testament to all of your hard work, you should feel very proud.

Rob, Martin, Laura - pls add on.

Arnab Ghatak  
Partner  
McKinsey & Company  
Office 973 549 6368  
Mobile 973 919 9029  
Fax 973 549 1368

**Exhibit P**

Message

---

**From:** John Goldie [CN=John Goldie/OU=NYO/OU=NorthAmerica/O=MCKINSEY]  
**Sent:** 3/13/2014 5:52:19 PM  
**To:** Rob Rosiello [CN=Rob Rosiello/OU=STA/OU=NorthAmerica/O=MCKINSEY@MCKINSEY]; Arnab Ghatak [CN=Arnab Ghatak/OU=NJE/OU=NorthAmerica/O=MCKINSEY@MCKINSEY]; Laura Moran [CN=Laura Moran/OU=NJE/OU=NorthAmerica/O=MCKINSEY@MCKINSEY]; Alessandro Radici [CN=Alessandro Radici/OU=NJE/OU=NorthAmerica/O=MCKINSEY@MCKINSEY]; Dana Carne [CN=Dana Carne/OU=BOS/OU=NorthAmerica/O=MCKINSEY@MCKINSEY]  
**Subject:** Raw notes from Mark Timney E2E update

Team,

Good meeting with Mark today. Sending you all my raw notes based on comments from Mark. Rob and Laura can add as well:

- 
- General comments
- Don't take foot off pedal. Must deliver E2E. Critical for credibility with Board.
- Accelerate where we can
- Need accountability with consequences and coaching
- No-sees: is there enough tension in the system (i.e. have we thoroughly vetted the field-inputted office access)?
- Early next week he wants us to find a room and put up the walls everything that has gone out to the reps.
- Communications, memos, marketing materials, etc.... Wants us all to understand the mind of the rep. Can we simplify?
- Who is being controlled by system? Probe more.
- IDNs and no-sees
- Understand how they want to be interacted with (consumer data?)
- Get a clear line of sight into IDNs/managed care access/ACOs
- Wants a clear segmentation of customer groups first
- Wants to see the overlay with managed care access
- What value do these groups have? Figure out the set of IDNs that controls 20-30% of the business. Valuation of customers is important.
- What will be the strategy we employ? What do IDNs want?
- Don't necessarily think about the more progressed ones
- Maybe we don't need face-to-face for every IDN.
- Will need very different skills (for KAMs). Will be easy to hire.
- Look outside of pharma for insight on how to do account management
- Build something that is agnostic to TA
- Do we have an e-strategy when we launch a product? Show him from Day 0 to Day X what this plan is. Could it be applied to IDNs/non-seen prescribers?
- Could we use part time reps in some of the low workload territories?
- Could we use Quintiles or another CSO to go call on the no-sees/IDNs?
- Think about profitability of customers (e.g. medicaid, medicare) -*not sure if immediate to-do on this*
- 
- John

John Goldie  
McKinsey & Co  
55 e52nd St  
New York, NY, 10022  
o: (212) 446-7349  
m: (917) 499-6315

## **Exhibit Q**

Message

---

**From:** Anna Draganova [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=5AF5AA9CB15B47138ADD6A8CBB319281-ANNA DRAGAN]  
**Sent:** 11/28/2017 6:14:02 PM  
**To:** Marvin.KellyJr@pharma.com  
**CC:** Laura Moran [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=756af44f48e2487ebc7d028b647db905-Laura Moran]; Arnab Ghatak [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=ee5107d994d14d18b8ece4c0e247cc7b-Arnab Ghata]  
**Subject:** Board document highlights  
**Attachments:** 20171126 Board document highlights vDRAFT.pptx

Marv,

Here are a few summary pages if helpful for your Board Update. Happy to adapt as useful

Anna

.....  
THIS DOCUMENT HAS BEEN PRODUCED IN NATIVE  
FORMAT WITH THE PRODUCTION NUMBER ASSIGNED  
TO THIS PAGE AS THE FILE NAME.

.....

# High impact interventions to rapidly address market access challenges

Update for the Board - DRAFT

Nov 27, 2017

**Privileged: This presentation contains draft proposals for discussion by Management and are subject to appropriate Purdue legal and regulatory review before they can be considered final. These materials are confidential and proprietary.**



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## Headwinds Purdue is facing are stronger than ever

### Media

**14, 432** publications mentioning opioids to date in 2017. This is 2x 2016 and 7x 2015 number

**4x** increase in negative mentions of Purdue vs 2016

**52%** increase in negative publications on OxyContin vs 2016 with several now implying that **OxyContin may have been a driver** of the opioid crisis (e.g. New Yorker article)

### PBM/ Payer

**Cigna and BCBS of FL formulary exclusions** coming in the last month

**Exclusion** of OxyContin being framed as a public health initiative with Miami Herald positioning BCBS FL's move as "**To fight opioid crisis, Florida's largest insurer stops covering OxyContin**"

**Payors and PBMs** are now openly communicating this perception back to Purdue;  
"Excluding OxyContin may be the best thing we can do in current context" (Anthem)

### Agencies

**CDC** guidelines increasingly **caution against higher MMEs**

**ICER** reported OxyContin as only having , "**comparable or better**" **net health benefit (C+)** in reducing the risk of abuse and addiction among patients

### Xtampza

**Xtampza label (sNDA)** now has Category 2 ADP labelling for oral abuse

**Cigna innovative contract** changing the perception of the brand towards a "**safer opioid**"

**Up to ~70% rebates** is qualitatively what team believes Xtampza is offering to gain advantage

### State/ local

**128** **federal, state and local lawsuits** filed against Purdue this year

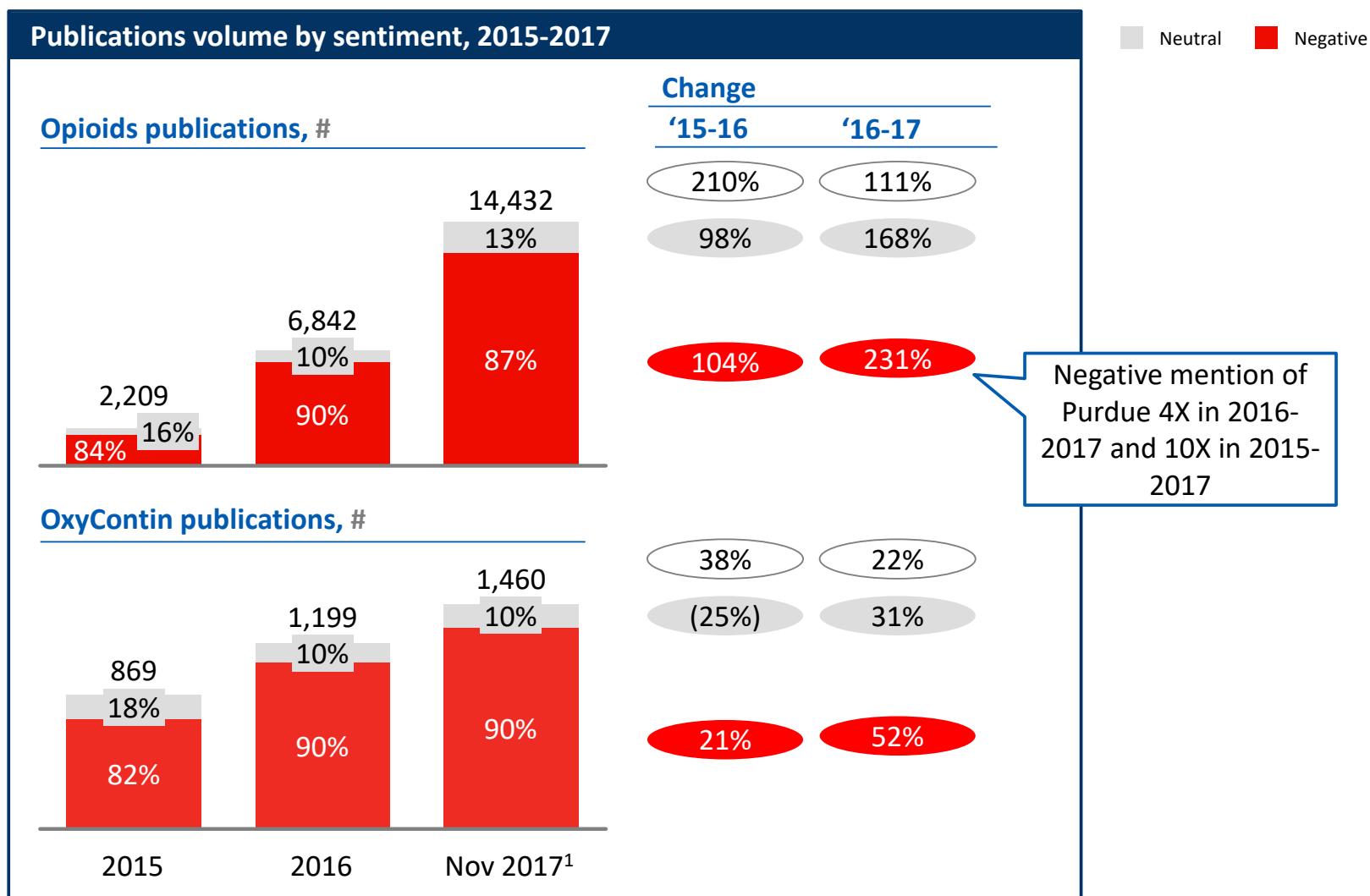


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## Media: Publications around opioids and OxyContin have increased significantly and are overwhelmingly negative

SUBJECT TO  
LEGAL REVIEW



<sup>1</sup> 2017 to date (11/9/2017)

SOURCE: press releases, web news, publications, blogs



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## These headwind are accelerating risks for Purdue

**Reputation risk:** Company brand and OxyContin name is publicly associated as a cause of the opioid crisis

**Exclusion risk:** Further exclusions of OxyContin in 2019 are likely as payors see an opportunity for a public perception win by removing OxyContin from formulary

**Share risk:** Xtampza's new label and aggressive promotion adds to the misperception that Xtampza is the safer opioid and increases risk of losing share

**Legal risk:** Increase in negative press mentions add to the risk for further law suits by government entities looking for ways to fight the opioid crisis

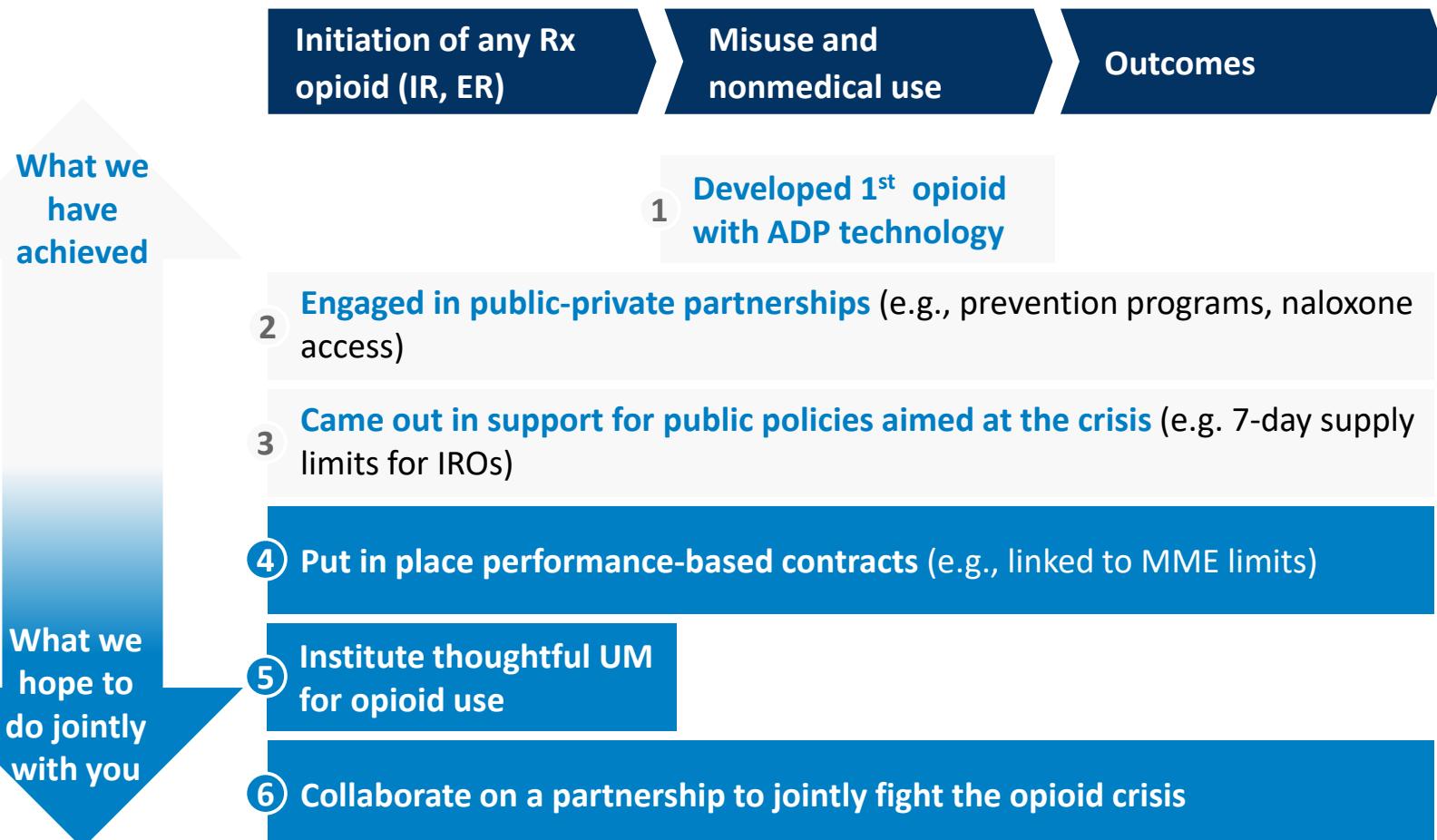
## Reinventing Market Access Strategy: overview

Objective	Workstreams	Impact
<p><b>Invest in high impact interventions to optimize access for the opioid portfolio in face of strong public and customer headwinds</b></p>	<p><b>Defend top 20 accounts:</b> Establish a high-touch approach to top 20 priority payor and PBM accounts to minimize any negative access events (after Cigna and BCBS FL exclusions)</p> <p><b>Reshape OxyContin's payor value story:</b> Refine OxyContin's payor value story given current fact-base and as response to the evolving competitive landscape</p> <p><b>Develop performance-based contract offerings:</b> Design 2-3 alternative contracting models to expand the menu of options in contracting with Purdue</p> <p><b>Accelerate partnerships:</b> Look for opportunities to continue to partner with payers and PBMs to address the opioid crisis</p> <p><b>Set up Access Task Force:</b> Operate a cross-functional market access task force to coordinate response efforts across the organization</p>	<ul style="list-style-type: none"><li>Maintain formulary position at risk accounts (&gt;70% of lives)</li><li>Scale strategic partnerships with top payors/PBMs</li><li>Help contribute to significantly stemming the growth of the opioid crisis</li></ul>

## Reshaping OxyContin's payor value story: overview

What is new	Description
<h3 data-bbox="443 468 751 643">Start by directly acknowledging the state of the opioid crisis and its drivers</h3>	<p data-bbox="802 468 1476 643">There is a pathway of progression around the opioid crisis defined along three phases: initiation, misuse and non-medical use, and outcomes</p>
<h3 data-bbox="443 753 751 1024">Share real-world evidence around OxyContin's ADP and address questions on Xtampza during a scientific exchange led by the MSL</h3>	<p data-bbox="802 753 1491 1024">Account meeting is supported by a Purdue team (AE, MSL, Commercial leadership). While others step out, MSL addresses questions on ADP and Xtampza claims</p>
<h3 data-bbox="443 850 751 1024">Direct ask to be the ERO of choice while proposing three joint initiatives to fight the opioid crisis</h3>	<ul data-bbox="802 1088 1491 1317" style="list-style-type: none"> <li>Ask to be the ERO of choice and offer: <ul data-bbox="851 1088 1491 1317" style="list-style-type: none"> <li>Performance based contracts (e.g., MME cap, OUD/OD rebate)</li> <li>Thoughtful utilization management</li> <li>Partnerships with industry players to drive meaningful change in the crisis</li> </ul> </li> </ul>

## Reshaping OxyContin's payor value story: Payer ask expands upon our past actions



## Develop performance-based contract offerings: overview

	MME cap	PMPM rebate	OUD or OD event
Our goal	Reduce high daily doses (e.g. MME > 90)	Reduce PMPM spend on OxyContin	Reduced OUD/OD incidents linked to OxyContin
Measure targeted	High dose	PMPM spend	OUD and OD
Offer to you	Scaled rebates linked to <b>average daily dose</b>	Scaled rebates linked to <b>PMPM spend decreases relative to target</b>	Rebate given per <b>OUD/OD incident</b>